

CIGARETTE TAX



Did you know that . . .

- ◆ If you buy cigarettes in another state and bring them back to Washington, you probably owe Washington taxes?
- ◆ If you buy cigarettes on a Native American reservation, you probably owe Washington taxes?
- ◆ Cigarettes purchased at military installations also carry some restrictions?
- ◆ The possession of untaxed cigarettes in Washington is subject to a substantial penalty?
- ◆ An estimated \$223 million was lost in fiscal year 2003 through lack of awareness and/or intentional nonpayment of cigarette taxes?
- ◆ An estimated 40 percent of all cigarettes consumed in Washington are contraband?

This publication provides general information about the cigarette tax. It does not cover every aspect of the tax. In addition, it does not change or overrule any administrative regulations or rulings issued by the Department of Revenue.

TAXES ON CIGARETTES

Washington imposes a cigarette tax on the sale, use, consumption, possession, or distribution of cigarettes. For a package of 20 cigarettes, the tax is \$1.425 and for a pack of 25, the tax is \$1.78125. An additional federal cigarette excise tax is collected by the United States government.

Cigarette wholesalers in Washington pay the tax by purchasing cigarette tax stamps. The stamps are then placed on cigarette packages.



Consumers pay retail sales tax when cigarettes are purchased from a Washington retailer.

Washington's use tax is due if you purchase cigarettes out-of-state or from a tribal retailer on an Indian reservation. Use tax applies to the use within this state of articles acquired without payment of sales tax. The use tax complements the sales tax and is calculated at the same rate. The intent is that cigarettes consumed in Washington are subject to sales or use tax, but not both.

PENALTIES FOR POSSESSION OF UNSTAMPED CIGARETTES

The possession of unstamped, untaxed cigarettes is a misdemeanor. Any untaxed cigarettes found in your possession are considered contraband and, under state law, are subject to seizure and forfeiture. You will be required to pay any cigarette, sales or use taxes due, and a substantial penalty. The possession of more than 300 cartons of unstamped, untaxed cigarettes is a felony.

The penalty for possession of unstamped, untaxed cigarettes is the greater of \$250 or \$10 per pack.

UNTAXED CIGARETTE PURCHASES

If you purchase untaxed cigarettes you must follow these steps:

- ◆ Complete form 82-2089 declaring your intent to buy untaxed cigarettes. This form is available online, by calling 1-800-647-7706, or visiting the Department of Revenue local office nearest you.
- ◆ Carry a copy of the form with you when you transport the cigarettes.
- ◆ Report and pay any taxes due on the tax declaration for cigarettes (#82-2090). This form is available at <http://dor.wa.gov> or by calling 1-800-647-7706.

INTERNET PURCHASES

When you buy cigarettes outside Washington, the law requires you to follow the steps explained above.

TRIBAL RESERVATIONS

Only enrolled tribal members are allowed to purchase cigarettes on tribal reservations without paying tax. Most native American tribes receive an allocation of tax exempt cigarettes for their members. These cigarettes have a green “tax exempt” stamp on them, which is described below. Indian tribal organizations have an obligation to collect the cigarette tax on sales to non-enrolled tribal members, including non-Native Americans. If the tax is not collected, non-Native Americans who purchase cigarettes on reservations must pay state cigarette and use taxes on the purchase price by following the steps outlined above.

Some Indian tribes impose a tribal tax in place of the state tax. Credit will be given for any tribal taxes paid when the cigarettes were purchased.

MILITARY RESERVATIONS

If you are an active duty or retired military person, or a dependent, you are entitled to purchase cigarettes for your own use on military reservations without owing any state tax.

However, you are not allowed to purchase cigarettes to give or resell to others. The military may revoke your commissary and exchange privileges if you are caught doing so. Also, the person receiving the cigarettes will be subject to the taxes and penalties described above.

CIGARETTE STAMPS - PROOF OF TAX PAID

Many states use stamps to show that tax has been paid. In Washington, all cigarettes sold through legal channels, except for those sold on military reservations, have the state tax stamp affixed to the bottom of the package. The stamps used by Washington State are easily identified.

The stamps on packages containing 20 cigarettes are pink and blue. Stamps on packages containing 25 cigarettes are blue, white and silver. Tax exempt stamps have a green background and the words “tax exempt.” All the stamps have serial numbers and the word “Washington” printed on them.



ENFORCEMENT

The Liquor Control Board enforces the tobacco laws for the state of Washington. They enforce retail and wholesale licensing, sales to minors, vending machine sales, sampling, and illegal cigarette sales and possession. For more information on tobacco enforcement activities, you can visit the Liquor Control Board’s web site (<http://www.liq.wa.gov>).

To file a complaint or a tip, contact the Liquor Control Board at 1-888-838-3956.

LICENSING

Retail, wholesale, and vending machine cigarette licenses must be obtained through the Department of Licensing. They can be reached by calling (360) 664-1400 or visiting their web site at <http://www.dol.wa.gov>.

Annual license fees are:

Wholesaler	\$650
Branch Wholesaler	\$115
Retailer	\$93
Vending Machine	\$30

Wholesalers are required to post a \$5,000 Proper Performance Bond and complete a personal/criminal history statement.

CIGARETTE TAX BREAKDOWN

Effective January 1, 2002, the breakdown for the \$1.425 tax per package of 20 cigarettes is as follows:

- ◆ 8 cents of the tax pays for protection of the state's water resources.
- ◆ 10.5 cents per package is dedicated to funding drug control and violence prevention programs.
- ◆ 41 cents per package is dedicated to funding the state's health care programs.
- ◆ 23 cents per package is deposited in the state's general fund, which supports most state services.
- ◆ The remaining 60 cents per package is allocated to funding expanded health care services for low-income persons, water resources, tobacco control, and the state's general fund.

In fiscal year 2003, the cigarette tax generated \$329.6 million.

PUBLICATIONS

- ◆ Special Notice dated November 21, 2001 - Cigarette Tax and Tobacco Products Tax Increase

FORMS

- ◆ Notice of Intent to Purchase Cigarettes in a Taxing Jurisdiction other than Washington (#82-2089)
- ◆ Tax Declaration for Cigarettes (#82-2090)
- ◆ Requirements to Become a Washington Cigarette Wholesaler (#82-2099)

LAWS AND RULES

- ◆ Chapter 82.24 Revised Code of Washington (RCW)
- ◆ Washington Administrative Code (WAC) 458-20-186 - Tax on cigarettes
- ◆ WAC 458-20-18601 - Wholesale and retail cigarette vendor licenses.
- ◆ WAC 458-20-192 - Indians - Indian Country.

The Department of Revenue will provide copies of the publication, forms, rules and laws, upon request. Please call our Telephone Information Center, listed below, for this service. You may also visit our web site at <http://dor.wa.gov>.

FOR MORE INFORMATION

If you have specific questions about the cigarette tax, please contact your local Department of Revenue office or the Telephone Information Center at **1-800-647-7706**.

You may also write to:

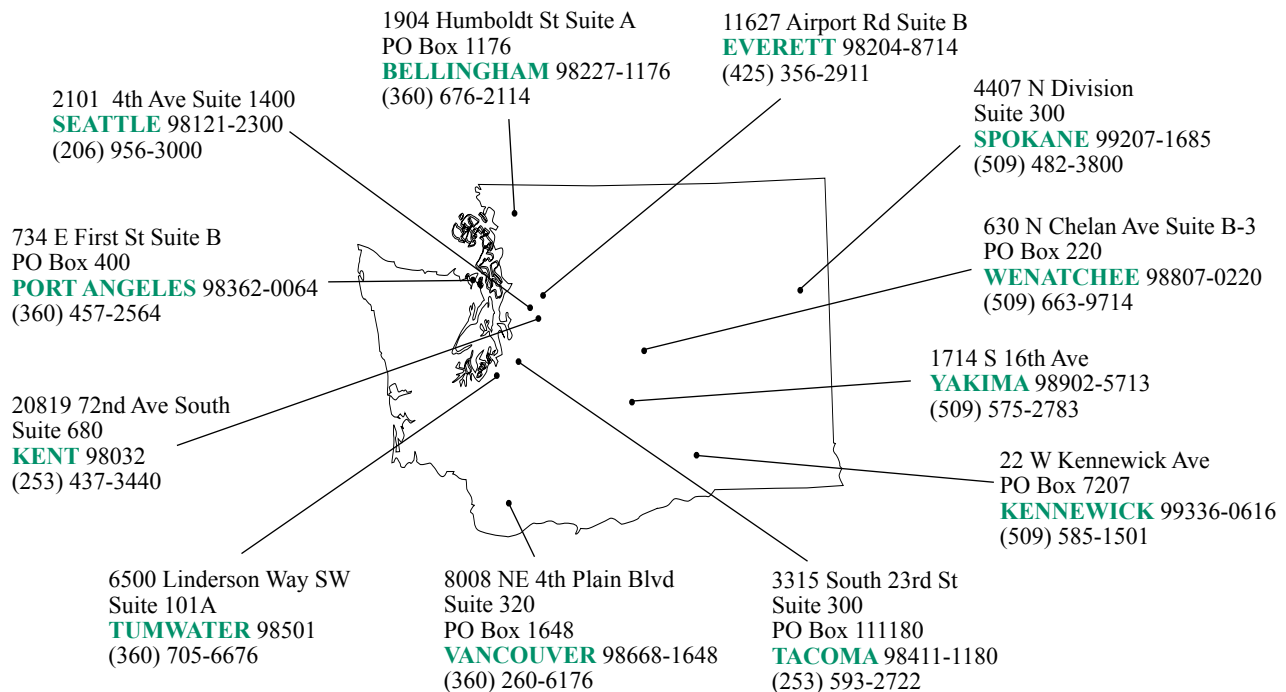
Taxpayer Information and Education
Washington State Department of Revenue
Post Office Box 47478
Olympia, Washington 98504-7478
FAX (360) 705-6655

Department of Revenue Taxpayer Assistance



<http://dor.wa.gov>

Local Office Locations



Telephone Information Center 1-800-647-7706

To inquire about the availability of this publication in an alternate format
for the visually impaired, please call (360) 705-6715.
Teletype (TTY) users please call 1-800-451-7985.

